

Internal Revenue Service

District
Director

Department of the Treasury

P.O. Box 13163

Baltimore, MD 21203

Person to Contact:

Telephone Number:

Refer Reply to:

Date:

JUL 16 1984

Dear Applicant:

We have considered your application from Federal income tax as an organization described in section 501(c)(4) of the Internal Revenue Code.

The evidence submitted indicates that you were incorporated [REDACTED], under the laws of [REDACTED] for any lawful purpose or purposes of an association of homeowners, including but not limited to the acquisition, construction, management, maintenance, and care of property, and the exercise of all rights and powers delegated and assigned to it as provided in the Declaration of Covenants, Restrictions, Easements, Changes and Liens dated [REDACTED], made by [REDACTED], covering a tract of land in the [REDACTED], [REDACTED], [REDACTED].

Membership in your organization consists of every person or entity who is record owner of property located in this development. Members are required to pay fees for services that the Board of Directors are charged with performing. These services include garbage collection for all units, snowplowing of roads and parking areas within the development, shoveling the walks in the common areas, lawn maintenance of all grassy areas, payment of real estate taxes on common areas, payment of liability insurance on all common ground and maintaining and repairing the roads and parking areas of the development.

Expenditures include maintenance, taxes, utilities, social events and other items.

Section 501(c)(4) of the Internal Revenue Code provides for the exemption from Federal income tax of civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-1(a)(2)(i) of the Income Tax Regulations provides that an organization is operated for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization described in this section is one which is operated primarily for the purpose of effecting civic betterments and social improvements.

Revenue Ruling 72-102 provides that certain non-profit organizations such as home-owners associations which are formed to administer and enforce covenants for preserving the architecture and appearance of a housing development and to maintain streets and sidewalks and other non-residential, non-commercial properties in the development of the type normally owned and maintained by a municipal government may qualify for exemption under section 501(c)(4) of the Internal Revenue Code.

Revenue Rulings 80-63 and 74-99 modify Revenue Ruling 72-102 to make clear that a homeowner's association must satisfy the following additional requirements to qualify for exemption:

- 1) It must engage in activities that confer benefit on a community comprising a geographical unit which bears a reasonably recognizable relationship to an area ordinarily identified as a governmental subdivision or a unit or district thereof.
- 2) It must not conduct activities directed to the exterior maintenance of private residences and
- 3) It owns and maintains only common areas of facilities such as roadways and parklands, sidewalks and streetlights, access to or the use and enjoyment of which is extended to members of the general public and is not restricted to members of the homeowners association.

On the basis of the information and evidence submitted, it is held that your organization promotes primarily the mutual benefits, interests and general welfare of your limited number of members who own or rent real property within the development; it serves a combination of purposes as permitted by your Articles of Incorporation; it does not encompass a "community" within the meaning of section 501(c)(4) and the regulations thereunder, and it does not serve primarily the common good and general welfare of the general public.

Therefore, we have determined that you do not qualify for exemption from Federal income tax under section 501(c)(4) of the Code.

You are required to file Federal income tax returns on Form 1120H.

You have the right to appeal this determination if you believe it is incorrect. Please see the attached Publication 892.

If you do not appeal this determination within 30 days from the date of this letter, this determination will be final.

We would like to bring your attention to T.D. 7692. This document contains new regulations that relate to homeowners association which are now covered by Section 528 of the Internal Revenue Code. A copy is enclosed for your information.

Sincerely yours,

District Director

Enclosure:
Publication 892
T.D. 7692